



January 25, 2013

Mr. Jim Throop, Director of Administrative Services  
City of Paso Robles  
821 Pine Street, Suite A  
Paso Robles, CA 93446

Dear Mr. Throop:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Paso Robles (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 3, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- The Agency reported the cash and cash equivalents balance was reduced from \$2,622,851 on February 1, 2012 to \$2,392,700 on June 30, 2012. According to the Agency, the decrease was due to a \$100,000 payment to the Hidden Creek Affordable Housing project and a \$130,878 transfer initiated by the County Auditor-Controller from the LMIHF to the general RDA fund. Our review indicates the \$100,000 payment was made during the ROPS 1 period (January to June 2012) and that this line item was denied by Finance. Since it was not an enforceable obligation at that time, the Agency did not have the authority to expend funds from the LMIHF. Additionally, Finance has received no documentation indicating the \$130,878 transfer was for an enforceable obligation. As such, Finance is increasing the June 30, 2012 balance by \$230,878.
- The Agency requested and received approval from Finance to expend \$100,000 from the LMIHF for the Hidden Creek Housing project (Item #6) during the ROPS III period (January to June 2013). Because this expenditure is an enforceable obligation, the Agency is allowed to retain funds to meet this obligation.

The DDR stated balance available for distribution to the taxing entities is (\$189,016). Even after applying the above adjustments, Finance concludes that the Agency's LMIHF balance is still

negative and the amount available for distribution to the affected taxing entities is zero (see table below).

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (189,016)
Finance Adjustments	
Adjustment to the June 30, 2012 balance:	230,878
Balance needed to satisfy 2012-2013 fiscal year ROPS	(100,000)
<b>Total LMIHF available to be distributed:</b>	<b>\$ (58,138)</b>

If you disagree with Finance's adjusted amount of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated September 11, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Ed Gallagher, Director of Community Development, City of Paso Robles  
Ms. Barbara Godwin, Property Tax Manager, County of San Luis Obispo  
California State Controller's Office